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**SPECIAL AND DIFFERENTIAL TREATMENT: THINKING OUTSIDE THE BOX**

**Report by the Rapporteur**

**25-26 October 2005**

*This document will be discussed at the consultation between the OECD Trade Committee and CSOs on 24 October and under item 8b) of Agenda TD/TC/A(2005)3/PROV on 26 October.*

*The attached summary of the OECD Global Forum on Trade devoted to Special and Differential Treatment, has been prepared by Professor Simon Evenett.*

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**A Report on the OECD Global Forum on Trade convened to discuss  
SPECIAL AND DIFFERENTIAL TREATMENT: THINKING OUTSIDE THE BOX  
in Bridgetown, Barbados, on 28-29 June 2005**

by

**Simon J. Evenett<sup>1</sup>, Rapporteur**

### **Executive Summary**

Approximately 70 persons, including policymakers from OECD members and non-members, officials from international organisations, scholars, and parties from the private sector and from civil society participated in this two day Global Forum on Trade devoted to Special and Differential Treatment (SDT).

Having been urged to think originally about the possible contributions of SDT to the multilateral trading system, and to the prospects of developing countries in particular, participants (1) clarified and expanded upon the purposes of SDT, (2) discussed five ways in which SDT could be made operational in multilateral trade agreements, (3) considered how SDT had already been applied in a number of existing trade agreements and settings, and (4) drew out implications for the ongoing negotiations in the Doha Development Round.

This report summarises the principal points and policy recommendations made, identifying recurring themes, and the degree of accord over such matters.

### **I. Purpose, Organisation, and Participation in the Forum**

1. The purpose of this Global Forum was spelt out in the three sets of opening remarks at the beginning of the Forum, the first of which was given by Dame Billie Antoinette Miller, Minister of Foreign Affairs and Foreign Trade of Barbados.

2. One purpose of the Forum was to promote a constructive dialogue between member and non-member countries of the Organisation for Economic Co-operation and Development (OECD) on the appropriate role of SDT in the multilateral trading system, and it was noted that the sharing of experiences at the regional level could be helpful in this respect.

3. Dame Billie Miller remarked that the Global Forum provided industrialised economies with an opportunity to learn about the substantial challenges faced by developing countries as they sought to adjust to, and make the most of, globalisation. Small and vulnerable economies, such as those in the Caribbean, were said to be at the “sharp end” of this process and their experiences held important lessons for the membership of the World Trade Organization (WTO).

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4. Participants were also encouraged to “think outside the box”, to challenge conventional wisdom and approaches and to be creative in devising potential means by which SDT could be made operational, in so doing strengthening the capacity of the multilateral trading system to promote development.

5. After the opening remarks, the rest of the Global Forum was organised into eight panel sessions.<sup>2</sup> Over twenty speakers contributed to those panels, either as presenters of papers, discussants, or as members of a roundtable discussion. Their contributions were augmented by numerous contributions from the floor. As a result speakers from every continent and from economies at each stage of development contributed to the deliberations of the Global Forum. Speakers were drawn from civil society, academia, the international development banks and organisations, as well as from national governments.

6. Numerous papers and powerpoint presentations were circulated to participants throughout the Global Forum and are now available on the OECD’s website at: [http://www.oecd.org/document/7/0,2340,en\\_2649\\_37431\\_35290055\\_1\\_1\\_1\\_37431,00.html](http://www.oecd.org/document/7/0,2340,en_2649_37431_35290055_1_1_1_37431,00.html)

7. These contributions and the thoughtful interventions they stimulated comprised the rich dialogue on SDT that took place during this two day Global Forum.

## **II. Relationship between the Forum’s Deliberations and Important Themes in the Doha Development Round**

8. An important, and perhaps self-evident, factor conditioned the discussions at the Global Forum. This was the fact that, as the Doha Round has yet to reach its conclusion, some participants (in particular some of those representing their governments in multilateral trade negotiations) felt constrained in what matters they might raise, criticise, or endorse. Fortunately, this constraint did not detract much from the ensuing discussion although, from time to time, the value of constructive ambiguity appeared to exceed the payoff to clarity.

9. During the Global Forum reference was frequently made to the 88 proposals tabled for discussion in the Special Session of the WTO’s Committee on Trade and Development which, following the Doha Ministerial Declaration, is undertaking a full review of the SDT provisions in multilateral agreements “with a view to strengthening them and making them more precise, effective and operational.” A number of attempts were made during the Global Forum to classify those proposals with the goal of better understanding their content and likely consequences.

10. Another further important preliminary remark is in order. At the Forum there was widespread acceptance of development as a legitimate and central goal of the multilateral trading system. Moreover, it was accepted that WTO members experience a wide variety of circumstances, and that the types of SDT in the world trading system should reflect that diversity. The situations faced by small and vulnerable economies, it was frequently argued, highlighted the above considerations. In addition, the plight of the least developed countries and of the economies that benefit markedly from (non-reciprocal) preference schemes was also referred to at numerous points during the Global Forum.

11. Given the leading role that countries of the Caribbean Community (CARICOM) have played in informing the WTO discussions on smallness and vulnerability, there was considerable attention given to this topic at the Global Forum. Detailed attempts were made by some presenters to identify the specific needs for differential treatment of small island developing states. While there were calls from CARICOM participants for a four-country typology to be recognised in the WTO—namely developed, developing,

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<sup>2</sup> This Global Forum was organised with the support of the World Bank, the Government of Barbados, and the University of the West Indies.

small developing and least developed—the approach taken to date in negotiations on this issue was deemed unsatisfactory.

12. It was argued that such typologies should not just apply while negotiating future multilateral accords, but also in the interpretation of existing agreements and in particular in matters that come before the WTO's Dispute Settlement Body. With respect to the latter, one participant noted that the failure to take into account the special circumstances of the Caribbean island states had led to WTO Appellate Body rulings that materially affected this region's agricultural sector.

13. Parallels were drawn from the 10-year experience of grappling with the concerns of small developing states in the Free Trade Area of the Americas (FTAA), in particular within the Working Group of Small Economies formed in 1995. Lessons from this experience were recalled and brought to the forefront in guiding the next steps of the Working Programme for Small Economies. For instance, one of the points made was that given the difficulty in defining eligibility based on characteristics, attention should shift to identifying and prioritising a specific package of measures for small economies. One representative of what was termed a Small Island Developing State described such a package. It contained proposals to change the terms and interpretation of 14 WTO agreements.

14. On the issue of vulnerability, the discussion was less settled as certain participants questioned whether it is appropriate to address natural disasters with flexibilities in WTO agreements. Others felt that multilateral trade agreements ought to be flexible enough to accommodate a wide range of contingencies.

### **III. Clarifying and Elaborating the Purpose of SDT**

15. The Global Forum broke new ground in two important respects; first, by clarifying and elaborating on the set of possible goals for Special and Differential Treatment and, secondly, by identifying five potential "recipes" by which various aspects of Special and Differential Treatment could be made operational in WTO agreements and elsewhere. The latter recipes may well be useful as the Doha Round progresses, adding as they do to the set of options available to WTO members. Much of the remainder of this report is devoted to summarising these two aspects of the Global Forum.

16. A major contribution of the Global Forum was to clarify and elaborate on the set of possible goals for SDT. Many participants stressed that SDT should not be confined to measures that facilitated the integration of developing countries into the world economy. The point was repeatedly made that SDT should also seek to maximise the benefits for developing countries from the opportunities created by the world trading system and from multilateral trade reforms. An emphasis on bolstering the supply side of economies, fostering entrepreneurship, and promoting firm and economy-wide competitiveness was said to follow from this perspective.

17. Others noted that SDT could be used to facilitate adjustment to multilateral trade reforms. Some of those adjustments could be painful, especially for developing economies that faced major shifts in comparative advantage or the erosion of long-held preferences. The desire to create "policy space" was said to be another goal of SDT. In the aftermath of last year's Tsunami some participants noted that SDT could seek to promote flexibility in response to the non-trade-shocks that developing countries face. It was argued that, by their very nature, developing countries had limited capacities and resources to respond to unanticipated and adverse shocks, whether natural or otherwise.

18. One particularly stimulating presentation by a former trade negotiator from a Central American country identified two distinct goals for SDT in the Central American Free Trade Agreement (CAFTA). SDT provisions in this agreement served two purposes: to maximise the opportunities created by the agreement (a goal of SDT also noted in the previous paragraph) and to make the associated trade reforms

and adjustment more politically acceptable in the signatory countries. Attaining the former goal required Central American countries to identify ex-ante the ways in which the sub-region could take advantage of its small economic size when negotiating with a substantially larger partner. In this regard thirteen specific elements to SDT were identified, a negotiating strategy articulated, and subsequently pursued. These steps were taken in addition to technical assistance and capacity building measures.

19. The goal of easing the political costs of adjustment was accomplished by building in greater flexibilities into the CAFTA agreement (specifically as they relate to provisions on rules of origin, service sector liberalisation, treatment of foreign investors, the operation of sanitary and phytosanitary rules, cumulation of textile-related and anti-dumping-related measures, and the terms upon which government procurement markets were opened), longer transition periods for lowering tariffs in certain products, and by introducing special mechanisms to address sensitive products and sectors. A tension was identified, however, in the design of flexibilities; namely, that there should be enough flexibility to make domestic reform politically feasible without creating room for certain vested interests to frustrate the reform process. This speaker recommended that developing countries should be prepared to defend in a technical manner the merits of clearly articulated and specific objectives when negotiating SDT provisions, recognising that political as well as economic bottlenecks may impede the domestic reform process. This formulation of SDT was said to be an alternative to one that seeks to avoid new international trade rules and obligations.

20. The fact that so many objectives were identified for SDT led some participants in the Global Forum to pose a number of related questions. For instance, are all of these objectives equally legitimate? Are these objectives consistent with one another and with the long-standing goals of the multilateral trading system, including the progressive lowering and eventual elimination of tariffs? Can these objectives be prioritised or ranked? Some participants at the Global Forum noted that certain types of SDT perpetuated discrimination in the world trading system and that this did not sit well with the ultimate goal of multilateral trade negotiations which, it was argued, is to eliminate all such discrimination.

21. Others noted that SDT could slow down the pace of trade reforms in some developing countries, often at the expense of opportunities to export for other developing countries. Some participants wondered whether every form of SDT helped developing countries embrace much-needed reforms. More generally, concerns were expressed that discussions on SDT matters in the WTO could become so technical and burdensome that developing countries with limited negotiating capacities may not be able to effectively participate in these deliberations.

#### **IV. Making SDT Operational: Five Recipes**

22. During the Global Forum a number of comments were made concerning the criteria for eligibility for SDT. Many of these comments could be seen as advocating alternatives to the current system of self-selection of developing country status in the WTO. Whether the current arrangements best reflected the diversity among developing countries, and the special needs of certain groups of WTO members in particular, was questioned by some. Another question addressed was whether other objective, yet sufficiently flexible, criteria could establish the eligibility for SDT that did not also reduce the effectiveness of a rules-based multilateral trading system.

23. The view was widely held that no single national characteristic could adequately form the basis for determining eligibility for SDT. Instead, in some cases it was argued that a combination of national circumstances should determine eligibility. A number of participants noted that it was the very vulnerability of many Caribbean states to hurricanes, volcanic eruptions, and other natural phenomenon that exposed the flaws of merely using economic indicators, such as national income per capita, to determine the eligibility for, and form of, SDT. On this view, whatever criteria were used ought to reflect

the non-economic threats to livelihoods as well as impediments to the effective integration of a country into the world economy.

### *A Situational Approach*

24. One proposal advanced at the Global Forum was that “development situations” rather than national economic characteristics should be used to take the discussion on SDT forward in the WTO. This approach is known as the “situational approach” to SDT. The first step would require WTO members to come to an agreement—potentially an informal agreement—on a set of guidelines on the purpose and nature of SDT provisions. Five such guidelines were suggested; namely, that SDT should become a meaningful instrument for developing countries; that one goal of SDT should be to facilitate the effective integration of developing countries into the multilateral trading system; that SDT should be sufficiently flexible and accessible for developing countries; the situations to which SDT is tailored should be characterised by objective indicators; and that whatever approach is eventually adopted should not compromise the success of ongoing multilateral trade negotiations.

25. It was proposed, first, that these guidelines be used to assess the 88 proposals submitted to the Special Session of the WTO’s Committee on Trade and Development. The ultimate objective of this “track” (as it was called) would be to draft a document that selected from the 88 proposals those initiatives that could be agreed by WTO members at the Hong Kong Ministerial Meeting in December 2005.

26. The second and longer term use of these guidelines would be to define development situations where the application of agreed forms of SDT would be legitimate. An example of such a situation is when a developing country’s exports are highly dependent on a limited number of low value-added commodities. To ensure that the application of any SDT provisions are clear and transparent it would be necessary to describe each situation in terms of recognised and objective data. The situations considered need not be of interest to every WTO member, but could be relevant to subsets of the WTO membership, such as small and vulnerable island economies.

27. WTO members would then agree on the policy objectives associated with each situation and the set of allowable SDT provisions that could be used to meet those objectives. It was argued that the identification and elaboration of such situations would, collectively, amount to a new framework for specifying allowable deviations from current multilateral trade rules and from accords reached in the future. Moreover, this approach was said to offer developing countries faster recourse than the current waiver process. Like the latter, though, the burden of proof would remain on the WTO member seeking SDT.

28. The pros and cons of this situational approach were discussed. According to one discussant two strengths of this approach were that it side-stepped the issue of differentiation by focusing on situations and that it avoided precisely defining the concept of policy space. Others wondered if every relevant situation could be specified as precisely or as objectively as this approach requires. One participant argued that political and economic criteria, as well as extraordinary circumstances and emergencies, were needed to define situations. This participant went on to ask what the situational approach implied for the evolution of a WTO member away from a given type of SDT.

29. Another discussant asked on what basis a set of situations would be chosen. The situational approach also prompted other questions, such as, whether there was a risk that situations be included that facilitated the non-compliance with multilateral trade obligations? Moreover, would faster growing and higher income developing countries have access to the same situational flexibilities as poorer counterparts do and, if so, would this be appropriate? The point was also made that developing rules for the exercise of policy space, perhaps along the lines of the WTO's Technical Barriers to Trade Agreement and the

Agreement on Sanitary and Phytosanitary Measures, might offer more promise than defining situations that trigger exemptions from multilateral provisions. Others felt that the situational approach would result in the WTO trying to respond to circumstances, such as natural disasters, that it was not designed to address.

30. The situational approach described above was the first of five “recipes” for making operational various aspects of SDT that were discussed at the Global Forum.

***Distinguishing between Core and Non-Core WTO Obligations.***

31. Rather than identify *ex ante* the circumstances where SDT can be applied, which might be costly and time-consuming to negotiate, a second recipe was proposed that focuses on the enforcement of WTO disciplines. Developing countries seek flexibility here — in the form of a reduced threat of dispute settlement proceedings and the potential withdrawal of concessions — without unduly weakening the DSU which, it was argued, constrains the discretion exercised by industrialised countries.

32. The second recipe involves three parts and would apply to existing WTO obligations and those multilateral agreements reached in the future. First, the unconditional acceptance by developing countries (and other WTO members) of a “core set” of disciplines relating principally to market access. These disciplines include the traditional Most Favoured Nation and National Treatment provisions, commitments to transparency, the banning of quotas, and the binding of tariffs. Developing countries would adhere to these core disciplines but would be free to opt out of any other WTO multilateral obligations that did not generate substantial adverse knock-on effects for other WTO members.

33. The second part would involve the creation of an “enabling mechanism” by which the non-application of certain WTO obligations would take effect. Importantly, a developing country’s decision against complying with a non-core WTO obligation would trigger this mechanism. An *ex post* review by the representatives of the trade and development communities (the latter is taken to include officials from bilateral donors and the Bretton Woods institutions and associated regional development banks) would establish, with the WTO member concerned, the effectiveness of the policies employed and recommendations would be made. As those recommendations may, if acted upon, necessitate the expenditure of scarce resources, the third part of this recipe involves the creation of a grant-based financing mechanism to assist the WTO member in question.

34. It was argued that this second recipe would enhance “ownership” by WTO members, promote accountability in a non-confrontational setting, as well as providing additional means to support the adoption of pro-development trade-related policies. The proponents of this approach recognised that a consensus is unlikely at present on what constitutes a core WTO discipline and it was noted that this matter could be settled through negotiation. One participant wondered why less-than-full-reciprocity should not be one of the core set of principles. Another participant felt that progress was made in multilateral trade negotiations when many countries engaged actively and that offering the prospect of opt-outs would detract from this.

35. One discussant drew on both the situational approach and the distinction between core and non-core obligations to propose a “hybrid approach”. This would involve identifying on an agreement-by-agreement basis core flexibilities and non-core flexibilities, that can be invoked under certain circumstances. The advantages claimed for the hybrid approach were that it would avoid a protracted debate about what are non-core disciplines; and it would provide for a set of (core) flexibilities that are always available to developing countries as well as a set of additional (the non-core) flexibilities that would be applied in specific circumstances. It was noted that additional provisions for vulnerable WTO members could be accommodated within the hybrid approach, thereby allowing for differentiation between developing countries.

36. Another discussant noted that a “club of clubs” approach which, in effect, made greater use of plurilateral agreements might allow WTO members to take on differentiated commitments in selected policy areas. While every WTO member would join the biggest club (associated with the fundamental matters of the multilateral trading system such as market access), they need not be members of every club in the multilateral trading system. Here membership would be the principal form of flexibility. It was argued that the provisions of the WTO's Agreement on Government Procurement might form the basis for the rules of the “new” clubs, that the commitments in these new clubs should be negotiated by all WTO members irrespective of whether they eventually join a given club, and that cross-retaliation should not be permitted. It was accepted that although these modalities could ease the expansion of WTO rules onto new terrain, especially in areas where there was no internationally-accepted best practice, there could be potential costs in the form of reduced trade-offs across negotiating issues, a weakened system of retaliation, and the possible emergence of so-called second class citizens in the world trading system.

### *Lessons from SDT Provisions in Regional Trade Agreements*

37. The third recipe presented to the Global Forum was motivated by the observation that regional trade agreements (RTAs) can, like WTO agreements, play an important role in fostering development. Moreover, given the large number of RTAs signed in recent years, the question arises as to what form, if any, SDT has taken in such agreements. This begs a further question as to whether there are any lessons for multilateral rule-making on SDT from regional experiences with such provisions.

38. Drawing on a detailed analysis of the SDT provisions of RTAs conducted by the OECD secretariat, a number of interesting points were made in this regard. The first was that there are, at least on paper, fairly elaborate SDT provisions in RTAs between developing countries (the so-called South-South RTAs) and examples were given from Africa, Asia, and Latin America. It is noteworthy that Annex XVIII of the treaty establishing the Economic Community of Central African States (ECCAS) sets out no less than five categories to which its 18 members can be signatories; a level of differentiation that goes beyond that found in most WTO agreements. Extensive SDT provisions were also found in the South Asian Free Trade Agreement (SAFTA), the Pacific Islands Countries Trade Agreement (PICTA), and the Andean Community (AC). No less than nine, six, and nine types of SDT were identified in these agreements, respectively.

39. The second finding was that numerous SDT provisions were found in RTAs involving signatories from both the industrialised countries and the developing world, the latter being so-called North-South RTAs. Moreover, there was a tendency for SDT to be more extensive in agreements with a greater number of parties, in RTAs involving signatories from the same region, in agreements where the differences in the level of development between signatories are larger.

40. The third finding is that the dominant form of SDT in RTAs is trade-related technical assistance and capacity building (TRTA/CB). This contrasts with WTO agreements where provisions to safeguard, exempt, or delay the implementation of developing countries' obligations are more prevalent. Like WTO agreements, however, most SDT provisions in RTAs are of a “best endeavour” nature rather than being binding on signatories.

41. In the presentation of these findings to the Global Forum care was taken to emphasise that the comparisons made referred only to the legal statement of provisions on TRTA/CB and not to their application. Even so, much more experimentation with SDT provisions has taken place in RTAs than in existing multilateral accords.

42. One discussant noted that the CARICOM RTA included numerous provisions on SDT and employed a number of non-economic criteria, such as resource endowments and vulnerability, to identify

signatories that were in a disadvantageous position. It was noted that, in principle, the forms of SDT in the CARICOM RTA included the provision of financial and technical assistance to governments, special measures to attract investment and industries, temporary derogations from treaty obligations, measures to assist industries to become competitive and to promote infrastructure development and the diversification of economies. To date, the SDT actually enjoyed by eligible CARICOM members concerned extended implementation periods and greater exemptions from regional obligations. Plans for the establishment of a regional development fund were, however, under way.

43. This discussant also remarked that differentiation within countries, in particular to regions or sectors facing difficulties, ought to be given more attention. The financing provisions for SDT in many South-South agreements stood in marked contrast, it was argued, to comparable WTO agreements where there was little recognition that trade reform created losers as well as winners and that steps must be taken to mitigate the pain felt by the former. Another participant contended that the experience with SDT provisions in RTAs showed that further differentiation among developing countries in multilateral trade agreements could no longer be avoided.

#### ***A Modular Approach to Financing the Implementation of New WTO Obligations***

44. The fourth and fifth recipes link in different ways the availability of assistance to developing countries to any new multilateral obligations that they might take on. In the former case, which focused on the potential for new multilateral rules for trade facilitation but could in fact have implications for other provisions agreed in the Doha Round, a so-called modular approach that linked packages of obligations to access to different pools of financial resources was advanced.

45. The fourth recipe was motivated by two significant considerations. First, that many developing countries appear to have a difficult time implementing the obligations of those Uruguay Round agreements that dealt with “behind the border” matters and with some non-tariff barriers. These difficulties arose, it was argued, because of inadequate assessments of the cost implications of those multilateral obligations, poorly defined transition periods, insufficient resources to facilitate or execute institutional reform, and a lack of monitoring or review of actions taken by WTO members.

46. Second, that some WTO members only agreed to the start of negotiations on trade facilitation matters because of an understanding that any new obligations that are eventually agreed will be complemented by commitments from the industrialised country members of the WTO to provide technical assistance and capacity building. There is a need, it was argued, for a mechanism that would give effect to the latter commitment. Such a mechanism would have to satisfy three important parties: companies that undertake international commerce (or plan on doing so), developing countries, in particular landlocked and least developed countries, and donors.

47. Due attention, it was said, would have to be given to ongoing and prior initiatives to improve trade facilitation in developing countries, to the different starting points of developing countries, as well as to the sequencing of such initiatives. It was suggested in this respect that an inventory of these initiatives be assembled to guide the deliberations of WTO members on the relationship between new multilateral obligations and commitments to TRTA/CB.

48. A modular approach would distinguish between a so-called basic module and more advanced modules. In the basic module all WTO members would agree to undertake a common set of financially inexpensive steps that are relatively straightforward. These steps may require some, but not much, TRTA/CB support and the principal determinants of implementation are likely to be strong political will and a desire to improve governance. In the basic module, SDT would be limited to transition periods, not carve outs, exemptions etc.

49. A limited number of advanced modules would be developed, with progressively more demanding features in terms of both multilateral obligations and the financing and expertise necessary for effective implementation. WTO members would choose which of these modules of commitments to adopt and developing countries would be allowed to request SDT, including funds, from the relevant WTO Negotiating Committee. An ad-hoc and independent technical committee of experts would review such requests, part of which includes a so-called management plan to implement the obligations in question, and would present their recommendations to the respective Negotiating Committee of WTO members. A “pledging round” would ensue in which donors make firm commitments on TRTA/CB in response to requests of a WTO member and the associated recommendations of the technical committee. In the light of pledges made the WTO member would revise its management plan, submit it to the technical committee that, in turn, would make final recommendations to the Negotiating Committee. Both the additional trade facilitation commitments and the TRTA/CB pledges would be bound.

50. It was argued that the provision of such resources, which would be used to finance technical assistance and capacity building, would be “demand driven” in the sense that the recipient would determine, in consultation with others, a plan for managing such assistance. These plans could take into account the administrative and other constraints faced by the recipient as well as the other sources of funding available to it. Implementation of new WTO obligations would, on this approach, be sequenced to take account of the availability of finance and the other factors described above.

51. One discussant agreed with the thrust of this proposal, noting that freeing trade without improving trade facilitation was like letting someone out of prison but with their handcuffs left on. This speaker argued that a low priority is accorded by many governments in developing countries to trade facilitation measures and that any approach that increased aid commitments to redress this, such as the modular approach, were welcome. The importance of high quality needs assessments was stressed by another participant.

### *Aid for Trade*

52. The fifth recipe contained a broader proposal to finance “aid for trade” with the goals of easing the adjustment burdens that any new multilateral obligations might result in, and of facilitating the development of supply side capacities to help developing countries make the most of the opportunities created by the Doha Round.

53. There is now a wider recognition, it was said, of the numerous administrative, infrastructure-related, and other bottlenecks that have frustrated the integration of developing countries into the world trading system and have prevented them from capitalising on previously signed trade agreements, including the set of Uruguay Round multilateral trade agreements. These considerations, it was noted, have been recognised in a number of high-profile international initiatives and meetings during the first half of 2005, including the spring meetings of the World Bank and International Monetary Fund’s Board of Governors, the June 2005 meeting of finance ministers from the G7 leading industrial countries, and in the U.K.-sponsored Commission for Africa.

54. The point was also made that many developing countries feared that any tariff reductions negotiated during the Doha Round would result in reduced revenues for governments at home or in narrower tariff preference margins for their exports abroad. It was recognised that the importance of the latter two factors differed markedly across developing countries. Even so, it was said that many developing countries fear that both factors will entail substantial adjustments on their part and that these fears may translate into outright opposition to the conclusion of the Doha Round itself or to an ambitious conclusion to that round.

55. There is, however, an alternative to this pessimistic scenario. A successful Doha Round, that is, one with a high degree of ambition would, it was argued, generate substantial economic benefits for industrialised economies. Those benefits would include reduced government outlays on agricultural subsidies and support as well as gains to purchasers. Some of those benefits could be diverted to a pool that could finance technical assistance and capacity building projects in developing countries. Instead of viewing trade and aid as substitutes, therefore, aid is seen here as a pre-requisite for trade and for the further integration of developing countries into the multilateral trading system and to support the adjustments necessary to effect that change.

56. A number of mechanisms for raising funds for this pool were discussed and its administration attracted much comment. While remaining open to other options, proponents suggested that a facility similar in organisation to the Integrated Framework (IF) might be appropriate. The IF model has advantages, it was said, because it brought together all of the major stakeholders, was based on objective diagnostic studies, and ensured that any funds were allocated to initiatives that were consistent with the overall development goals of the developing country in question. Other participants felt that the deficiencies of the IF made it an inappropriate model, that in fact little aid to developing countries had been dispensed through this mechanism, and that donors should do much more to coordinate their activities and to relieve the associated administrative burdens on developing countries.

57. One speaker wondered why the compensation for preference erosion and the burdens of adjustment had to come in the form of aid. This speaker would prefer greater concessions by industrialised countries on mode four of the GATS agreement (the temporary movement of natural persons) instead. A different participant felt that trade liberalisation is desirable in itself and that countries should not have to be compensated for adopting better policies. This participant went on to claim the WTO should not be in the business of dispersing aid or financing adjustment. According to yet another speaker one drawback of the “aid for trade” proposal as presented here was said to be that it focused solely on post-agreement implementation needs and no attention was given to expanding support for the current TRTA/CB needs of developing countries. It was suggested in another intervention that the tariff revenues collected by industrialised countries should be put into a fund to support this initiative.

## **V. Concluding Remarks**

58. In a multilateral trade round which places development at the core and where WTO members undertake to eventually sign a Single Undertaking, matters relating to Special and Differential Treatment for developing countries are unlikely to be settled before the conclusion of the round. This has not prevented an increasingly substantive discussion taking place on the appropriate role and forms of Special and Differential Treatment in the multilateral trading system. This OECD Global Forum on Trade devoted to Special and Differential Treatment contributed to that discussion, drawing on the insights of officials and experts from both the developing world and industrialised countries, and arguably broke new ground in the following respects; namely, in the further clarification and elaboration of the set of possible goals for SDT in the multilateral trading system and in the identification of five potential “recipes” or approaches for giving operational meaning to Special and Differential Treatment in World Trade Organization agreements and elsewhere. Further discussions in Geneva and elsewhere will undoubtedly take up these contributions and they may well shape the evolving relationship between developing countries and the multilateral trading system.